

TRANSMITTAL SLIP

DATE

13 JUL 89

TO:

D/PP0

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REMARKS:

Dick,

Here is a copy of  
the SSCT issue  
paper and our paper  
used by the DDCT  
at yesterday's meeting.

FROM:

D/PBO

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EXTENSION

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MAJOR ISSUE: MANPOWER

ISSUE

Should NSA, CIA, and DIA manpower costs be constrained?

BACKGROUND

From 1981 to 1989, civilian manpower costs in CIA, NSA, and DIA have risen 116% and now account for more than [ ] in annual expenditures. This increase has been used to meet the costs of annual federal pay raises, employ 45% more personnel, upgrade a large number of positions, and meet a variety of other costs associated with retirement and other benefits.

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In the constrained budget environment now faced by U.S. intelligence, manpower has become a significant factor as accelerating costs of the intelligence payroll act to absorb investment funds. For example, at the current pace, the civilian payroll of CIA, NSA, and DIA will cost [ ] more annually in real terms by FY1994.

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Last year, the Committee expressed concern about these costs and reduced the FY1989 manpower budgets of CIA, NSA and DIA. The Committee also asked the NAPA group, which was reviewing intelligence community personnel management systems and compensation practices, to report on ways manpower costs might be curtailed without damaging intelligence capabilities. Unfortunately, NAPA failed to respond to this request.

The CIA, NSA and DIA budgets for FY1990-91 request sizeable increases for manpower. The agencies ask for nearly [ ] more new positions through the end of FY1991, and continue to request funds for further increases in pay over and above inflation. Moreover, the three agencies report FY1989 actual expenditures for increased pay to be higher than previously projected resulting in an increased cost of \$13 million annually. Finally, the agencies have front-loaded their growth in FY1990, with more modest increases requested for FY1991.

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It is clear that any reduction to the manpower request will be opposed by the bureaucracy which assigns manpower the highest priority. The agencies argued during budget hearings that additional personnel are required to meet an ever increasing workload arising from new collection systems and new requirements. Moreover, they argue that generous pay increases are needed and point to NAPA study findings that call for innovative measures to attract and retain personnel.

**ALTERNATIVES**

1. Authorize full request for manpower, but eliminate front-loading by spreading requested growth evenly over FY90 and FY91.
2. Reduce by half the requested real growth and spread evenly over FY90 and FY91. Allow only 1% growth per year above inflation in average salary and hold agencies to their previous FY89 projections.
3. Freeze personnel at FY89 levels. Allow only 1% growth per year above inflation in average salary and hold agencies to their previous FY89 projections.
4. Direct that personnel be reduced by 1% by the end of FY91. Allow only 1% growth per year above inflation in average salary and hold agencies to their previous FY89 projections.

**STAFF RECOMMENDATION**

Alternative 3.

CIVILIAN MANPOWER DATA

\$ in Millions

	<u>FY1981</u>	<u>FY1988</u>	<u>FY1989</u>	<u>FY1990</u>	<u>FY1991</u>
<u>Total Costs</u>					
CIA					
NSA					
DIA					
Total					
<u>Positions</u>					
CIA					
NSA					
DIA					
Total					
<u>Average Salary (FT/P)</u>					
CIA	\$27401	\$35942	\$37943	\$39308	\$40763
NSA	26827	34657	37516	38956	40922
DIA	28136	38311	40594	41989	42946
<u>Average Salary Index</u>					
Federal Pay	100.0	122.6	126.4	129.5	133.1
CIA	100.0	131.2	138.5	142.1	146.9
NSA	100.0	129.2	139.8	145.2	152.5
DIA	100.0	136.2	144.3	149.2	152.6
<u>Average Salary</u>					
<u>Year to Year Increase</u>					
Federal Pay			3.6%	2.5%	2.8%
CIA			5.6%	3.6%	3.7%
NSA			8.2%	3.8%	5.0%
DIA			5.9%	3.4%	2.3%

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MANPOWER

The NAPA Study concluded that the best way to reduce costs associated with personnel was to reduce throughput. This proposal penalizes agencies with low attrition rates by limiting average salary. With low attrition average salary is increased by promotions, bonuses, and step increases. High attrition offsets these increases by replacing departing employees with new hires at more junior levels.

The recent increases to our workforce worsen this problem because new employees are promoted and rewarded more frequently than senior ones. This effect lasts for three to four years after the increase. We probably can't conform to the restriction before 1994 even if it were imposed on us for 1990 because it is estimated that to conform would require more than doubling the NFIP's attrition rate and nearly halving its promotions. We simply do not have the management latitude to do this.

The NFIP is not out of line with the rest of the government. There are many organizations in the Federal Government that have higher average grade levels than us (State, Energy, OMB, GPO, GAO, and CBO for example). Furthermore, intelligence places special demands on its people and has recruiting difficulties that justify higher average pay. We have to retain highly trained and skilled analysts and engineers that are prime targets for recruiting by private industry and government contractors. We maintain extensive shift-work, overtime, and Sunday/holiday manning, 24-hour manning of alert centers, communications centers, ADP, guard force, and crisis team manning--all of which increase average pay. In addition, the intrusive security requirements and personal risk demand far more of intelligence personnel than of many other government employees.

This proposal would reduce NFIP end-strength in FY 1990 by [ ] positions (CIA-[ ], DIA-[ ], NSA-[ ]). Its cumulative effects on the outyears are even more damaging. For example, after reducing by [ ] in FY 1990, NSA could increase by [ ] in 1991, but would have to decrease by [ ] in 1992, could again increase by [ ] in 1993 but would then have to eliminate [ ] positions in 1994.

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-- ICS RECOMMENDATION: Manpower is our most important asset. Judge manpower requirements based on their individual merits, not from a green-eyeshade perspective. Directly limit manpower growth if you must, but don't throw away capability without knowing you did it.

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AVERAGE GRADE

<u>COMMUNITY</u>		<u>OTHER</u>	
DIA	GS 11, Step 1	STATE	GS 12, Step 4
CIA	GS 11, Step 6	OMB	GS 13, Step 4
NSA	GS 10, Step 7	NASA	GS 11, Step 3
		GPO	GS 11, Step 5
		GAO	GS 12, Step 4
		Energy	GS 12, Step 3
		CBO	GS 14, Step 4

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